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MEMORANDUM

NATIONAL SECURITY COUNCIL

~~SECRET/SENSITIVE/NOFORN~~ACTION

April 18, 1972

MEMORANDUM FOR: DR. KISSINGER

FROM: A. W. MARSHALL *Hum*

SUBJECT: Transmittal of PFIAB Report on Economic Intelligence to the President

Attached at Tab A for your signature is a memorandum to the President that provides a summary and transmits a PFIAB report on economic intelligence. The President asked the PFIAB to study U.S. collection and dissemination of foreign economic intelligence. A copy of their report is at Tab B.

I call your attention to the discussion, in this memorandum, of my view of your interest in this area.

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BACKGROUND

In June 1971 the President asked the PFIAB to study U.S. collection and dissemination of foreign economic intelligence. They finished their report in December and requested that you send it out for comment. We have comments from State, Treasury, Commerce, DCI, OMB, and the Assistant to the President for International Economic Policy. (See Tabs C through H.) They have been given to the PFIAB, who will respond at a later date.

All comments agree that the PFIAB report gives a correct diagnosis of the current state of U.S. economic intelligence and of the need for better economic intelligence. Reservations are expressed regarding some of the report's recommendations; especially the recommendation that intelligence information be provided to U.S. business and commercial interests. (The recommendations with my comments are below.) The PFIAB is not disposed to push its specific recommendations. There is now a good deal of new activity regarding economic intelligence. They

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are aware of it and satisfied that moves are underway to improve the situation.

PFIAB RECOMMENDATIONS

-- General policy guiding the U.S. intelligence community should treat economic intelligence as an essential element of national security posture.

-- DCI should take the lead in formulating a broad new concept of economic intelligence, which would include monetary, commercial and technological areas.

-- DCI, with USIB, should coordinate intelligence requirements and priorities to reflect new concept of economic intelligence.

-- DCI, with IRAC, should review allocation and adequacy of intelligence resources available to meet expanded need for economic intelligence.

-- As part of this review Secretaries of State, Treasury and Commerce should review quality and quantity of economic representation and reporting abroad.

-- Council on International Economic Policy should develop procedures to provide information and assistance to business and commercial interests.

-- Treasury and Commerce should consider establishing intelligence offices or bureaus.

-- New directives to clandestine collectors should be issued reflecting higher priority for economic intelligence.

-- Requirements on NSA for economic intelligence should reflect new priority of economic intelligence.

COMMENTS

My reactions to the recommendations are:

-- While the DCI should play a role in formulating a broad new concept of economic intelligence the potential users should play equal or

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larger roles. In fact Flanigan should take the lead in this area, but he shows no disposition to do so.

-- The DCI and USIB are reviewing economic intelligence requirements. When they finish, the NSCIC Working Group plus representatives from Treasury, Commerce and CIEP should look at the results. I will see that this happens. If the current USIB arrangements do not appear to be functioning well, it may be necessary in a year or two to organize a separate USIB for economic intelligence, with State, Treasury, and Commerce as the major organizations represented. The British are organized this way with two top level intelligence committees.

-- The problem of how to make information available to U.S. business and commercial organizations should be put off until other problems are solved. Then Commerce should be asked to work out appropriate procedures and policies, and submit them to review at NSCIC.

-- While new directives to clandestine collectors would be of some help, better collection of intelligence on economic matters needs new approaches and new high quality people with different qualifications than those now involved in standard clandestine collection.

In general things are moving forward in this area. I will follow events and report to you from time to time. The real problems involve:

-- The organization of the user agencies into an effective group of consumers, who clearly express their needs.

-- The development of improved economic intelligence analysis; in particular, in depth studies of the processes leading to governmental policy in nations with which we negotiate, and development of key economic forecasts as inputs to the U.S. economic policy process.

YOUR INTERESTS IN THIS AREA

You have substantial interests in this area for two reasons:

-- The NSCIC, which you chair, will undoubtedly become involved in various aspects of the growing economic intelligence effort

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and the problems its growth will provoke. Guidance to the intelligence community will be needed regarding appropriate priorities, and difficult resource allocation problems will have to be resolved.

-- The increased interest in economic intelligence, its proposed elevation to equal status with the more traditional military and political areas of intelligence, reflect the growing sense that we have entered a new international economic era, characterized by a larger number of strong economic powers, more strenuous competition for foreign markets, a decline in U. S. competitiveness (symbolized by our persistent balance of payments deficit and the continued weakness of the dollar), and at the same time a growing U. S. dependence for its economic well-being on foreign raw materials, overseas investment, and international trade. The view is that this new and possibly more cutthroat era will require the U. S. to follow quite different foreign economic policies than in the past, even at the risk of alienating traditional friends and undermining existing security arrangements. This poses immediate problems for you regarding the conduct of U. S. foreign policy, especially the coordination of foreign economic policy and actions with military and political policy.

One problem I see is that there does not appear to be an appropriate forum within which the tradeoffs between economic, military, and political policy can be made. You might consider whether you want to suggest to the President the need for an appropriate forum.

Another problem is that people may go overboard about the current U. S. economic problems. While there is a basis for current concern about U. S. competitiveness and increasing reliance on access to foreign markets and raw materials, assessments are needed with regard to:

-- Conflicts between existing national security policy and proposed changes in U. S. foreign economic progress.

-- U. S. foreign economic policy and U. S. strategy for the continuing, long term political-military competition with the Soviet Union.

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What is our basic strategy for the long term competition with the Soviets? In the past control of strategic materials and products was part of such a strategy. In the rush to fix up next years balance of payments, or other near term problems, actions may be taken that are incompatible with advantageous long term strategies for the U. S.

If you are interested in these problem areas a variety of memoranda can be prepared for you. Do you want:

A more complete memorandum on the conflict of foreign economic policy and national security policy?

Yes ☒ _____

No _____

An issue oriented paper raising specific areas for study?

Yes ☒ _____

No _____

A memorandum exploring U. S. strategy for the long term competition with the Soviets and the role of foreign economic policy in such strategies?

Yes _____

No ☒ _____

RECOMMENDATION

That you sign the attached memorandum at Tab A and transmit the PFIAB report on economic intelligence to the President.

Agree _____



Disagree _____

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THE WHITE HOUSE
WASHINGTON

INFORMATION
April 28, 1972

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MEMORANDUM FOR: THE PRESIDENT THE PRESIDENT HAS SEEN 
FROM: HENRY A. KISSINGER 
SUBJECT: Foreign Intelligence Advisory Board
Report on Economic Intelligence

In June 1971 you asked the Foreign Intelligence Advisory Board (PFIAB) to study U. S. economic intelligence. The Board believes economic intelligence has not received sufficient attention since World War II, a reflection of the economic dominance of the U. S. and the priority granted political and military matters. The underlying situation has changed drastically in recent years and the U. S. can no longer afford to neglect economic intelligence in their view.

The Board recommends that:

- Economic intelligence should be treated as an essential element of national security.
- The DCI take the lead in developing a broad new concept of economic intelligence, and see that collection priorities and intelligence resource allocations be altered accordingly.
- A review of the quality and quantity of economic representation and reporting abroad be undertaken.
- The Council on International Economic Policy develop procedures to provide information and assistance to business and commercial organizations.
- Treasury and Commerce should consider establishing intelligence offices or bureaus.

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The Board's report has been sent for comment to State, Treasury, Commerce, DCI, OMB, and the Assistant to the President for International Economic Policy. All agree with the Board's general diagnosis of the increased importance of economic intelligence and the less than adequate attention given to it in the past. Measures are being taken to improve the situation.

For the moment the Board is, I believe, satisfied by the progress being made. The newly created NSC Intelligence Committee Working Group is surveying current developments in the economic intelligence area. I will report any important findings to you.

Attached as Tab A is the full report should you care to read it.

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